State of California

M e m o r a n d u m

To:	Panel Members	Date:	September 22, 2006
From:	Dolores Kendrick, Manager	Analyst:	N. Weingart
Subject:	One-Step Agreement for **SONY PICTURES ENTERTAINMENT, INC.**		

CONTRACTOR

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition

- Legislative Priorities: Moving To A High Performance Workplace
  Promotion Of California's Manufacturing Workforce

- Type of Industry: Manufacturing Motion Picture & Video Production

- Repeat Contractor: Yes

- Contractor's Full-Time Employees
  - *Worldwide:* 151,400
  - *In California*: 5,700

- ETP Trainees Represented by Union: No

- Name and Local Number of Union Representing ETP Trainees: N/A

CONTRACT

- Program Costs: $403,560

- Substantial Contribution: $0

- Total ETP Funding: $403,560

- Total In-kind Contribution: $417,000
  - *Trainee Wages Paid During Training:* $362,000
  - *Other Contributions:* $55,000

- Reimbursement Method: Fixed-Fee

- County(ies) Served: Los Angeles

INTRODUCTION

This will be the third proposal between Sony Pictures Entertainment Inc. (SPE) in Culver City and the Employment Training Panel. SPE produces and distributes motion picture and television programming and related products, and is eligible for standard ETP funding as a Motion Picture and Video Production company facing out-of-state competition under Title 22 California Code of Regulations, Section 4416 (b). The proposed training will assist the employer to become a high performance workplace.

MEETING ETP GOALS AND OBJECTIVES

SPE proposes training that will further the following ETP goals and objectives:

1)   Foster retention of high wage, high skilled jobs in industries that are threatened by out-of-state competition.

2)   Support companies moving to a high performance workplace.

3)   Support and promote California's information technology workforce.

TRAINING PLAN TABLE

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Average Cost Per Trainee	Hourly Wage After 90 Days
Retrainee Job Number 1	MENU: Business Skills Computer Skills Continuous Improvement Manufacturing Skills	380	24-120	0-40	$1,062 average	*$12.90 - $40.60
Wages After 90-Day Retention						

Occupation	
Information Technology Technical and Support Staff	
Production Worker (Assembly)	
Engineer	
Customer Service Staff	
Administrative Staff	
Manager	
Supervisor	

Health Benefits Used To Meet ETP Minimum Wage:	**Turnover Rate**	**% Of Mgrs & Supervisors To Be Trained:**
*Health benefits of at least $2.56 per hour may be applied to the base wage to meet the ETP minimum hourly wage of $12.90 for Los Angeles County.	12%	13%

Other Employee Benefits:

Vacation pay, sick leave, holiday pay, 401k savings plan, stock purchase plan, employee assistance program, and life insurance.

COMMENTS / ISSUES

Frontline Workers

The majority of participants in this project meet the Panel definition of frontline worker under Title 22 California Code of Regulations, Section 4400(ee). Approximately 50 managers and supervisors, 13% of the training population, will also participate.

Production During Training

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

Repeat Contract / Substantial Contribution

Training under SPE's current Agreement ended on June 4, 2006. That program focused on the switch from analog to digital media and the implementation of STAR, a new, proprietary computer system (including SAP, Workbrain, and Ariba). SPE also initiated a continuous improvement program to reduce waste and improve work processes, and provided some manufacturing skills training to improve the proficiency of production workers. Finally, business courses were given to increase productivity, eliminate common errors, and generate better time utilization.

This new proposal will focus on computer skills for the implementation of the latest Information Technology (IT) management system: Information Technology Infrastructure Library (ITIL). Additionally, since a large portion of the prior training curriculum was not delivered, SPE is again including some continuous improvement (primarily in conjunction with ITIL), and a limited number of manufacturing and business skills topics.

SPE has only had one prior contract within the last five years, and is therefore not subject to a substantial contribution requirements of Title 22 California Code of Regulations, Section 4410.

RECOMMENDATION

In order for the entertainment industry in California to contend with ever-increasing worldwide competition, employers must produce better quality products more quickly and efficiently, and must lower operating costs. To this end, SPE is trying to keep pace with the latest computer technology, production and business skills primarily through implementation of ITIL. This should provide SPE with the advantage they need to keep employment and business in California. This training will allow SPE to improve IT services through the use of proven best practices; improve customer satisfaction through a more professional approach to service delivery; improve overall productivity, and reduce costs. For these reasons, staff recommends that the Panel approve this proposal.

NARRATIVE

SPE, founded in 1989 and headquartered in Culver City, is a wholly-owned subsidiary of Sony Corporation of America. With 5,700 employees statewide, SPE produces and distributes motion picture and television programming; provides post-production activities; operates studio facilities; acquires and distributes home entertainment products; develops entertainment products and services for broadband distribution; manages television channel investments; and markets entertainment products and licensed merchandise for consumers worldwide. Employees are located at several worksites including five in Culver City, one in Los Angeles, and one in Beverly Hills.

SPE's representative states that companies in the entertainment industry face constant worldwide competition. The pressures of competition, changing technology, and customer demands dictate the need for internal changes to keep the company in the forefront. Accordingly, Sony is introducing operational changes that will eventually affect most departments and necessitate training for affected employees.

SPE is increasingly dependent on the use of IT to satisfy its corporate aims and business needs, which increases the requirement for high quality IT services. Accordingly, SPE will be reconfiguring its operation using ITIL to help develop a framework for IT service management. ITIL provides a cohesive set of best practices drawn from public and private sectors internationally. The program was developed by the Office of Government Commerce (OGC); and the best practice processes promoted in ITIL are supported by the British Standards Institution.

ITIL encourages companies to develop supporting products and procedures, and build good relationships with IT service providers. The new ITIL management system will streamline data processing software, hardware, and documentation from a "multiple point of contact" to a "single point of contact" support system, which will allow for more efficient customer assistance and increased customer satisfaction.

ITIL will generate the need for extensive **Computer Skills** training for information technology staff, support staff, and all departments that utilize IT services. Staff will learn to use the new ITIL software and related applications such as Intermediate and Advanced Excel, Access, PowerPoint, and Outlook. Also, staff will be trained in how ITIL interfaces with the existing STAR computer system, to operate finance, human resources, procurement, time tracking, personnel, production and technical functions.

NARRATIVE (continued)

The SPE representative further explained that as employees become part of the ITIL "single point of contact" approach, they will also become part of a team environment to identify and resolve problems. To facilitate this change, SPE will provide **Continuous Improvement** training to resolve incidents, problems and configuration trends; to reduce communication errors; and to improve product and service quality.

In an effort to improve other company operations, **Manufacturing Skills** training will be provided to workers who assemble and distribute prototype kits. Trainees will learn to read work orders, understand part numbers, use computerized printers and labeling systems to design, print, and apply labels to CDs and DVDs and packaging. The goal is to improve productivity and product quality, and reduce defects to increase sales and general fewer returns.

Finally, **Business Skills** training will help SPE improve internal and external communications. SPE is a large company with very complex operations and it is vital for staff to manage customer relationships, communicate via computer and more traditional means, handle change, and stay knowledgeable about new and changing products and services. As trainees become more proficient in these areas, the company expects to see improvements in the quality and efficiency of the services it provides.

Commitment to Training

SPE representatives state that ETP funding will not displace the company's own training resources. SPE currently provides new hire orientation, sexual harassment prevention, basic computer skills, and basic on-the-job vocational skills training. During the prior ETP Agreement, SPE implemented and trained on the STAR computer system, and in basic business and manufacturing skills.

Most of the training in this new proposal is designed for ITIL implementation; Continuous Improvement, Business, and Manufacturing Skills will make up a minor portion of the program. The company representative indicated that even though SPE is a large organization, it was required to eliminate most of its training budget last year to offset economic difficulties. Consequently, the training budget is now very limited and will not be sufficient to cover all of the current training needs. ETP funds will allow SPE to almost double the amount of training it would otherwise be able to provide.

At the conclusion of the ETP project, SPE will continue to train employees on the ITIL system, provide basic computer skill training in Windows, Word, Excel, Access, PowerPoint, and Outlook, and improve the skills of its production workers.

SUBCONTRACTORS

National Training Company (NTC) of Irvine, California will provide administrative services to SPE in connection with this proposal. By contractual arrangement between SPE and NTC, ETP funds will be used to pay for said services in the amount of $45,000, not to exceed 13% of payment earned, whichever is less.

THIRD PARTY SERVICES

NTC of Irvine, California assisted SPE in developing this proposal for a flat fee in the amount of $10,000.

PRIOR PROJECTS

The following are completed project statistics for ETP Agreements with SPE within the last five years:

Agreement Number	Location (City)	Term	Contract Amount	Amount Earned	*Planned* In-kind Contribution	*Reported* In-kind Contribution
ET05-0152	Culver City	09/06/04–09/05/06	$2,141,750	*37,167 (2%)	$2,482,200	$49,644

*As of this date, potential earnings appear to be approximately $37,167, or 2% of the Agreement amount. Company representatives offered the following reasons for low performance:

1. SPE overestimated the amount of training that could be provided within the Agreement term. The 161,000 projected hours were unrealistic based on business needs and trainee availability. Sony actually trained more than 1,500 people, but only enrolled 733 in ETP; and many of these were not able to reach the 24-hour minimum requirement.

2.   The Human Resources Department opted not to participate in the project as anticipated due to internal difficulties. The company representative estimates that HR actually provided more than 50,000 training hours that were not ETP eligible.

3. Even though training was supported by senior management, project staff had difficulties getting trainers and trainees to complete the administrative paperwork. Trainees hesitated to fill out the ETP104AUTH forms (that are no longer required); and attendance rosters were not completed for a large part of the training (data was entered into SPE's Training Force Learning Management System, but rosters were not submitted to the training department).

Company representatives stated that several positive steps have been taken to overcome these difficulties.

1. The Agreement signatory (Chief Information Office - CIO) is now in charge of the training program. Training is more targeted to IT staff and most of the trainees fall under his reporting structure. In addition, the entire program has been greatly scaled back: SPE is requesting only 17% of the prior funding amount for training only 380 trainees (22% of the prior number).

2. In November 2005, a new Director of Development and Learning, who reports directly to the CIO, was hired to reorganize the prior project and serve as project manager for the new proposal. This individual and a larger training support staff will schedule all IT classes and trainees; monitor day-to-day training activities; make sure trainees are enrolled in and complete training; and oversee the completion and submission of all paperwork and ETP online data entry.

3. Other department Managers outside of IT will be assigned specific responsibilities for scheduling their staff to ETP classes, monitoring performance, and making sure workers complete all assigned training.

Sony Pictures Entertainment, Inc

MENU CURRICULUM

<u>Class/Lab Hours</u>

24-120   Trainees will receive any of the following:

COMPUTER SKILLS

- Information Technology Infrastructure Library (ITIL)
- Workbench
- BMC and Internal ITIL Software Applications
- Computerized Business Process Modeling
- .NET Internet Environment
- Computer Networking
- Computer Hardware Technology Skills
- Laptop Techniques
- Wireless Modem Techniques
- Related Software Applications
  - Project Management
  - Financial Planning and Budgeting
  - Procurement
  - Human Resources Applications
  - Advanced Internet Systems
  - Web-based Products
  - Computer Support Programs
  - Intermediate/Advanced Excel Software Applications
  - Intermediate/Advanced Access Software Applications
  - Intermediate/Advanced PowerPoint Software Applications
  - Intermediate/Advanced Outlook Software Applications

CONTINUOUS IMPROVEMENT

- Data Modeling
- Process Improvement
- Operating Procedures for Single Point of Contact
- Team Communication
- Resolving Team Conflict
- Customer Communication
- Team Problem Solving
- Lean Enterprise
- Team Member Differences

__Sony Pictures Entertainment, Inc__

MENU CURRICULUM (continued):

MANUFACTURING SKILLS

- Equipment and Assembly Operating Procedures
- Packaging and Labeling Equipment Operation
- DVD Assembly Tools
- Product Tracking, Model Numbers, Codes, & Media Types

BUSINESS SKILLS

- Customer Relationship Management
- Communicating Change
- FIRST (Putting the Customer First)
- Interpersonal Communication
- Product Knowledge

CBT Hours
0-40

COMPUTER SKILLS

- Workbench (2 hours)
- Business Process Modeling (2 hours)
- Project Management (2 hours)
- Human Resources Applications (2 hours)
- Internet Systems (2 hours)
- Intermediate/Advanced Excel Software (2 hours)
- Intermediate/Advanced Access Software (2 hours)
- Intermediate/Advanced PowerPoint Software (2 hours)
- Intermediate/Advanced Outlook Software (2 hours)

CONTINUOUS IMPROVEMENT

- Data Modeling (2 hours)
- Process Improvement (2 hours)
 Team Communication (2 hours)
BUSINESS SKILLS

- Handling Conflict (1 hour)
- Communicating Change (1 hour)
- Interpersonal Communication (1 hour)

Comment: The parties agree that the training identified in this Curriculum may be revised from time-to-time during the term of this Agreement at the request of Contractor and with the prior written approval of ETP. (See also Section 12 in this Agreement.)